County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

June 18, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains a summary of actions taken by the Conference Committee on June 16, 2009 and the estimated impact on the County; a pursuit of County position on a bill relating to renewable electricity generation and recycling diversion goals; the status of one County-advocacy bill; and a report on a bill of County interest relating to a mitigation fee on the sale of alcoholic beverages.

State Budget – Conference Committee Actions

On June 16, 2009, the Conference Committee closed out the remaining open items in the areas of Human Services, Education, Higher Education, General Government, Public Safety, and Revenues. The Committee, however, did not act on all the items included in the Governor's May Revisions, nor did they adjourn as expected. Instead, the Committee recessed upon call of the Chair, which means that they may revisit any issue whether they took action on that issue or not. The Committee not acting on a particular proposal in the May Revision has the effect of rejecting the proposal.

According to summary documents released by Senate and Assembly Budget Committees on June 17, 2009, the Conference Committee adopted a total of $23.3 billion in Budget solutions which will provide the State with a projected FY 2009-10 reserve of $3.8 billion. These solutions fall short of the Legislative Analyst's Office projected $24.3 billion budget deficit. Program reductions comprise 45 percent or

$10.4 billion of the total Conference Committee actions of which $3.1 billion is from FY 2008-09 and $7.3 billion is from FY 2009-10. These program reductions are in addition to the $14 billion in reductions made as part of the State Budget package enacted in February 2009. The following summarizes the Conference actions and contrasts them with the Governor's May Revisions.

Governor's May Revisions Versus Conference Committee Actions
(In millions)

	Governor's May Revisions			**Committee Actions**		
Categories	**2008-09 and prior**	**2009-10**	**Total**	**2008-09 and prior**	**2009-10**	**Total**
Borrowing	0.0	1,982.0	**1,982.0**	0.0	0.0	**0.0**
Revenue Accelerations/Fees	0.0	2,758.9	**2,758.9**	0.0	5,041.4	**5,041.4**
Fund Shifts	0.0	2,098.2	**2,098.2**	0.0	2,561.0	**2,561.0**
Cuts Requiring Federal Action	0.0	1,000.0	**1,000.0**	0.0	1,000.0	**1,000.0**
Program Cuts and Savings	3,124.5	11,978.1	**15,102.6**	3,127.5	7,275.0	**10,402.5**
Revenue Collection/Enforcement	0.0	0.0	**0.0**	0.0	143.0	**143.0**
Taxes	0.0	0.0	**0.0**	0.0	1,910.0	**1,910.0**
Other	0.0	1,097.8	**1,097.8**	0.0	2,206.4	**2,206.4**
Total	3,124.5	20,915.0	**24,039.5**	3,127.5	20,136.8	**23,264.3**
Reserve			**4,586.5**			**3,811.3**

In addition, the revenue package approved by the Conference Committee is estimated to generate approximately $2 billion in FY 2009-10 which is comprised of:

1) a 9.9 percent oil severance tax for an estimated $830 million;
2) the repeal of recently enacted corporate tax breaks worth about $80 million; and
3) a $1.50 increase in the cigarette excise tax, effective October 1, 2009, which would raise approximately $1 billion.

Democratic Conferees were emphatic that the budget gap cannot be addressed by cuts alone, and that additional revenues are needed to avoid more severe cuts in education and other safety net programs for California's most vulnerable residents. As anticipated, the Conference Committee package was passed by a partisan vote. Subsequently, as published, Governor Schwarzenegger has indicated that he would veto the budget package because it contains new tax increases.

Estimated Impact on the County

Based on our review of the Conference Committee actions, **if enacted, we estimate the County impact of the latest FY 2009-10 State Budget Proposal would be approximately $236.3 million. It is important to note that while the County's fiscal exposure would appear to be limited to $236.3 million next fiscal year, the State's Budget crisis is far from being resolved and any, or all, of the budget proposals affecting the County may be reconsidered at any time as part of the budget negotiations.** The key Committee actions that comprise the County's fiscal exposure include:

Estimated Impact	Major Conference Committee Actions
$ 109.0 million	Reduction of the local share of gasoline tax revenues – the Highway User Tax Account
$ 53.3 million	Reduction of projected CalWORKs Single Allocation funds
$ 28.6 million	Suspension of SB 90 Mandate Claims for various County programs
$ 22.1 million	Elimination of funding for the Substance Abuse Crime Prevention Act of 2000 funds (Proposition 36)
$ 21.0 million	Elimination of funds for the Mental Health Managed Care Program
$ 12.4 million	Deferral of AB 3632 Program payments
$ 7.1 million	Reduction of Drug Medi-Cal Program Rates
$ 5.7 million	Reduction of HIV/AIDS Treatment and Prevention Program funds

The estimated County impact is partially offset by Conference Committee actions resulting in potential County savings from:

1) a reduction to Foster Care and Group Home provider rates ($12.3 million); and
2) reduced services for In-Home Supportive Services recipients ($10.8 million).

In addition, as reported in the June 16, 2009 Sacramento Update, the Conference Committee rejected the Governor's proposal to borrow $1.98 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A). If enacted, at least $301.9 million in County General Fund property tax revenues would have been at risk.

<u>Attachment I contains the estimated County impact of the Governor's May Revision proposals and the Budget Conference Committee actions, and Attachment II includes the programmatic impact.</u>

Pursuit of County Position on Legislation

AB 222 (Adams and Ma), as amended on May 28, 2009, would allow facilities that convert solid waste into energy or marketable products to count as a renewable electricity generation facility for the purpose of California's Renewable Portfolio Standard (RPS), and allow local governments to count solid waste that is converted into electricity or marketable products toward their recycling diversion goals.

Specifically, AB 222 would: 1) define "biorefinery" and require such facilities to meet or exceed all local and State air and water quality standards and other specified environmental protection criteria; 2) include the use of conversion of municipal solid waste at a biorefinery to electricity or certain other useful products among the criteria that qualifies a facility for purposes of RPS; 3) allow a local jurisdiction to include solid waste diverted to a biorefinery towards meeting a requirement to divert more than 50 percent of solid waste from landfill or transformation; and 4) require a biorefinery managing solid waste feedstock to remove recyclable products prior to the conversion process to the maximum extent possible.

Biorefinery means a facility that uses a non-combustion thermal, chemical, biological, or mechanical conversion process, or a combination of those processes, to produce electricity or a renewable fuel from carbonaceous material, including, but not limited to: dedicated energy crops; agricultural crop residues; bark, lawn, yard, and garden clippings; wood, wood chips, and wood waste; non-recyclable pulp or non-recyclable paper materials; waste fat, oils, and greases; or other types of solid waste.

In addition, AB 222 would: 1) repeal the definition of "solid waste conversion" and specify that a gasification facility is not a biorefinery; 2) revise the definition of "transformation" to mean the incineration of solid waste with or without the recovery of energy, excluding composting, biomass conversion, or solid waste conversion at a biorefinery; and 3) delete the definition of "gasification" from the Integrated Waste Management Act.

The California Integrated Waste Management Act of 1989, known as AB 939, requires local jurisdictions, among other things, to divert 50 percent of solid waste from disposal at landfills and/or transformation facilities. Failure to mathematically demonstrate achievement of this requirement may subject a jurisdiction to penalties of up to $10,000 per day. Also, existing law requires retail sellers of electricity, except local publicly owned electric utilities, to increase their existing level of renewable resources by one percent of sales per year so that 20 percent of their retail sales are procured from eligible renewable resources by 2017. The purpose of AB 222 is to encourage the production of low-cost biofuels and green power in California by promoting conversion technologies.

The Department of Public Works (DPW) is responsible for the County's unincorporated areas compliance with AB 939. DPW indicates that the development of conversion technologies is critical in meeting the County's long-term solid waste management needs and to comply with State law. The County is spearheading the development of one or more conversion technology demonstration projects that would showcase the technical, environmental, and economic viability of conversion technologies to effectively manage our solid waste stream and create a pathway for the future development of commercial scale conversion technology facilities within the County. DPW indicates that the County's demonstration projects are directly impacted by the current restrictive laws and regulations, and would directly benefit from the passage of AB 222.

In addition, DPW indicates that AB 222 would encourage economic investment in, and production of, low-cost biofuels and green power and contribute to economic stimulus, local job creation, energy independence, and a cleaner environment. It would also help reduce the cost of the County's conversion technology demonstration project and clarify the project's eligibility for a variety of financial incentives, including grant funding at the State and Federal level, higher energy sales revenue for renewable energy, and an incentive for the delivery of waste feedstock by jurisdictions. DPW and this office support AB 222.

Support for AB 222 is consistent with existing policy to: 1) support AB 1090 (Mathews) of 2005 related to conversion technology; 2) support legislation which promotes the development of alternatives to landfills, such as conversion technologies, that protect public health and safety and the environment; establish a viable permitting process for these alternatives based on performance standards rather than prescriptive definitions; and provide full diversion credit for these alternatives under the California Integrated Waste Management Act; 3) promote waste reduction; and 4) promote the use of energy from renewable sources. **Therefore, the Sacramento advocates will support AB 222.**

AB 222 is supported by a host of entities, including: California Chamber of Commerce, California Farm Bureau Federation, California Manufacturers and Technology Association, California State Association of Counties, Los Angeles County Sanitation Districts, BioEnergy Producers Association, Pacific Gas and Electric, San Bernardino County, Southern California Association of Governments, Southern California Edison, and Yolo County. It is opposed by Californians Against Waste and the Sierra Club. AB 222 passed the Assembly Floor on June 1, 2009, by a vote of 54 to 13, and is currently in the Senate awaiting referral to a policy committee.

Status of County-Advocacy Legislation

County-opposed unless amended SB 696 (Wright), which would overturn the Superior Court decision in *Natural Resources Defense Council v. South Coast Air Quality Management District* (Super. Ct. Los Angeles County, 2007, No. BS 110792), exempt future South Coast Air Quality Management District (SCAQMD) rule changes from compliance with the California Environmental Quality Act, and authorize the SCAQMD to allow profit-making power plants access to air emission credits previously reserved for government and exempt entities, passed the Senate Energy, Utilities and Communications Committee on June 16, 2009, by a vote of 6 to 3.

After receiving a full three-hour hearing, the Committee passed the bill with the understanding that it remains a work in progress. Supporters for the bill turned out in huge numbers, but some Committee Members questioned the appropriateness of a legislative remedy to a Superior Court action that was still in the Appellate Court while others cited the need to continue negotiations as the bill progressed through the Legislature. SB 696 now proceeds to the Senate Environmental Quality Committee. For your information, three Members of the Senate Environmental Quality Committee (Senators Simitian, Corbett, and Lowenthal) voted no on SB 696 in the Senate Energy, Utilities and Communications Committee.

Legislation of County Interest

AB 1019 (Beall), as amended on April 29, 2009, would establish the Alcohol-Related Services Program within the California Department of Alcohol and Drug Programs to mitigate the harm of alcohol use, and would impose a ten cent mitigation fee on the sale of alcoholic beverages to fund the program. Funds would be distributed equally among five alcohol-related services: 1) treatment and recovery; 2) prevention, education and research; 3) emergency medical and trauma care treatment; 4) hospitalization and rehabilitation; and 5) criminal justice and enforcement programs.

The Department of Public Health (DPH) and the Department of Health Services (DHS) indicate that an increase in alcohol fees would reduce consumption and the County's burden from the social consequences of alcohol consumption including the impact on health, criminal justice, mental health, and addiction treatment services. It would provide much needed funding for alcohol abuse prevention and treatment as well as emergency medical and trauma care services.

AB 1019 is sponsored by the Marin Institute and supported by the Alcohol Policy Network; Bay Area Community Resources; California Association of Alcoholism and Drug Abuse Counselors; California Council on Alcohol Policy; California Council on Alcohol Problems; City and County of San Francisco; County Alcohol and Drug

Program Administrators Association of California; Drug Policy Alliance; National Association on Alcohol, Drugs and Disability; National Council on Alcoholism and Drug Dependence; Pueblo y Salud, Incorporated; San Diego County Alcohol Policy Panel; South Bay Children's Health Center; and the Youth Leadership Institute.

It is opposed by Ace Beverage Company; Anheuser-Busch Companies, Incorporated; Bay Area Beverage Company; Bear Creek Winery; Beauchamp Distributing Company; California Association of Winegrape Growers; California Beer and Beverage Distributors; California Chamber of Commerce; California Farm Bureau Federation; California Grocers Association; California Independent Grocers Association; California Licensed Beverage Association; California Manufacturers and Technology Association; California Retailers Association; California Small Brewers Association; California Taxpayers' Association; California Teamsters Public Affairs Council; Distilled Spirits Council of the United States, Family Winemakers of California; Glass Packaging Institute; Golden Gate Restaurant Association; Heineken USA; Husch Vineyards; Lodi District Grape Growers Association, Incorporated; Mendocino Wine and Winegrape Commission; Napa Valley Grapegrowers; Roederer Estate; and the Wine Institute, among others.

AB 1019 is awaiting a hearing in the Assembly Health Committee. The author's office indicates that it may become a two-year bill.

The County previously sponsored several bills, which would have authorized counties to levy a local tax on the sale of beer, wine, and distilled spirits, including SB 297 (Romero) of 2007, which failed passage.

The Assembly Select Committee on Alcohol and Drug Abuse has scheduled a press conference and special hearing on Friday, June 19, 2009, at 10:00 am at the Los Angeles County/USC Medical Center. Representatives from the DHS and DPH have been asked to provide technical information at the hearing.

We will continue to keep you advised.

WTF:GK
MR:IGEA:sb

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions

Attachment I

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE FY 2009-10 STATE BUDGET PROPOSALS

Programs:	Governor's May Revision Proposals	Budget Conference Committee
Health		
Medi-Cal Eligibility for Legal Immigrants	(1,100,000)	0
Elimination of the Healthy Families Program	(1,500,000)	0
Public Health		
HIV/AIDS Treatment and Prevention	(5,890,000)	(5,700,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(3,900,000)	(7,100,000)
Proposition 36 Program/Offender Treatment Program	(27,000,000)	(22,100,000)
Maternal, Child and Adolescent Health Program Reductions	(1,366,000)	? (1)
CalWORKs Substance Abuse Programs Funding Loss	(16,400,000)	0
Mental Health		
Mental Health Managed Care Program	(21,000,000)	(21,000,000)
Mental Health Services Act (Proposition 63) Funds	0 (2)	--
Early Periodic Screening, Diagnosis and Treatment Funds	(7,000,000)	0
Elimination of the Healthy Families Program	(10,000,000)	0
CalWORKs Mental Health Services Funding Loss	(24,400,000)	0
Deferral of AB 3632 Program Payments	(12,400,000)	(12,400,000)
Social Services		
Reduced State Participation in IHSS Wages	26,100,000 (4)	0
IHSS Program - Reduction of Recipient Services	200,000,000 (5)	10,800,000
CalWORKs Program Reform & Safety Net Proposals	(27,200,000)	0
CalWORKs Program Elimination	(389,800,000) (6)	0
CalWORKs Single Allocation Funding Loss from Program Elimination	(585,200,000)	0
CalWORKs Single Allocation Projected Reduction	0	(53,300,000) (7)
CalWORKs Caseload Adjustment	0	131,000
Cash Assistance Program for Immigrants (CAPI) (3)	(10,300,000) (8)	0
Child Welfare Services Administration (3)	(14,300,000)	0
Foster Care and Group Home Provider Rate Reductions	13,400,000	12,300,000
Redirection of Sales Tax Realignment Funds	(234,706,000) (9)	0
Elimination of Community Based Services Programs	(1,100,000)	? (1)
Reduction in Transitional Housing Program Plus Funds	0	(314,000)
General Government		
Suspension of SB 90 Mandate Claims	(16,853,000)	(28,577,000) (10)
Subventions for Open Space (Williamson Act)	(36,000)	(36,000)
Reduction of Local Share of Gasoline Taxes - Public Works	(109,000,000) (11)	(109,000,000) (11)
TOTAL	**($1,280,951,000)**	**($236,296,000)**

Notes:

(1) There is insufficient information to assess the impact of the Conference Committee actions. We will be working with departments to estimate County impact.
(2) There is no impact because voters rejected Prop. 1E which would have redirected Mental Health Services Act monies to fund State mental health costs.
(3) These May Revision proposals affecting social services programs assume an effective date of October 1, 2009.
(4) Reflects savings from reducing IHSS provider wages in the County to the minimum wage. If the County maintains current wage, NCC would increase by $40.7 million.
(5) Proposal would result in net County cost savings because of reduced IHSS recipient services.
(6) Estimate assumes 50% of CalWORKs recipients apply for and are determined eligible for the County's General Relief Program.
(7) Estimate is based on a projected growth reduction for the CalWORKs Single Allocation. Funding reduction will affect DPSS ability to provide services.
(8) Estimate assumes 100% of CAPI recipients apply for and are determined eligible for the County's General Relief Program.
(9) Reflects redirection of anticipated Sales Tax Realignment revenue savings from the elimination of the CalWORKs and IHSS Programs to fund increased share of of County costs for Child Welfare and Foster Care.
(10) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding law enforcement, Open Meeting Act, and election reimbursement claims.
(11) Loss of local share of gasoline taxes would result in a loss of an additional $82 million in FY 2010-11.

This table represents the estimated loss/gain of State funds based upon the May Revision proposals, and Conference Committee actions. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

Attachment II

Conference Committee Actions of June 16, 2009
Affecting the County

Health

Healthy Families Program (HFP). As we reported previously, the May Revision proposed to eliminate the HFP for a savings to the State General Fund of $247.8 million. **The Conference Committee rejected the May Revision Proposal, but adopted a $70 million reduction to the program,** which could ultimately delay the enrollment of additional children into the HFP, unless other funding sources are identified. **The Departments of Mental Health and Health Services indicate that this reduction will have minimal impact. The Department of Public Health (DPH) notes that a reduction in HFP would result in a greater cost-sharing burden for the Children's Medical Services (CMS) Program because the reduction will result in many of these children becoming regular CMS clients with a higher County share of cost.**

Public Health

AIDS Drug Assistance Program (ADAP) and HIV Prevention and Education. The Conference Committee agenda included May Revision proposals for significant reductions to these programs for State General Fund savings of approximately $80 million. **As previously reported, the Conference Committee fully funded the ADAP by backfilling the projected loss of $12.3 million with ADAP reserve funds. The Committee also reduced other HIV Prevention and Education and Local Assistance Programs by 10 percent, for a savings of approximately $33.5 million to the State's General Fund.** This funding structure ensures that California will meet its Federal Ryan White maintenance-of-effort for FY 2010-11 and will continue to receive $128 million in Federal funds to support the ADAP and other HIV/AIDS programs. **DPH indicates that the Committee's action is likely to result in a loss to the County of approximately $5.7 million.**

Drug Medi-Cal Rate Reduction. The May Revision proposed to reduce by $8.8 million, or 10 percent, the funds for substance abuse treatment services for Medi-Cal individuals. The Conference Committee adopted the May Revision. **DPH estimates that this action will result in a loss of $7.1 million to the County, including Federal funds.**

Social Services

CalWORKs Program. The May Revision proposed the following reductions to the CalWORKs Program: 1) eliminate the CalWORKs safety net grant for child only cases when a parent who has reached the 60-month time limit fails to meet the Federal work participation requirements; 2) limit child-only grants to 60 months when a parent or caretaker is an undocumented non-citizen, a convicted drug felon, or a fleeing felon; 3) implement a mandatory face-to-face review of participants not meeting the work participation requirements to remove barriers to work participation; and 4) reduce the CalWORKs cash grants by 6 percent. **The Conference Committee rejected the May Revision proposals and adopted the following items:**

1. **Reduced CalWORKs Single Allocation funding for child care and employment services by $175 million.** The May Revision proposed an increase of $230 million to the Single Allocation due to CalWORKs caseload growth. To achieve the $175 million reduction, the Conference Committee adopted placeholder trailer bill language to grant counties the flexibility over a two-year period to: 1) provide good cause exemptions from the CalWORKs work requirements for individuals with high supportive services costs (e.g. parents of young children); 2) suspend the five-year CalWORKs time clock for participants who receive the exemptions; and 3) grant counties the flexibility to transfer funds from the CalWORKs mental health or substance abuse accounts to the CalWORKs Single Allocation, if needed. The Conference Committee action is consistent with Board-approved policy adopted on June 16, 2009, to provide options in a CalWORKs to address the State budget shortfall and to mitigate the potential impact of reductions to social services programs. **The Department of Public Social Services (DPSS) estimates that this action will result in a $53.3 million reduction in the projected growth for the CalWORKs Single Allocation.**

   While this funding has not been included in the Department's Budget, these funds are necessary based on the significant demand increase for CalWORKs services. Reduction of this funding will negatively affect DPSS ability to provide effective services in a timely manner.

2. **CalWORKs Caseload Adjustment.** The Conference Committee adjusted the CalWORKs caseload growth estimate from 15.5 percent to 13 percent for a savings of $17.5 million. **DPSS estimates that this action will result in a County savings of $131,000.**

3. **Subsidized Employment Option for Emergency Contingency Fund (ECF).** The Conference Committee adopted the proposal developed by the Administration and counties to enable access to Temporary Assistance for Needy Families ECF funds for subsidized employment, short-term non-recurring benefits for CalWORKs and other low-income families and supplemental basic assistance for CalWORKs families. **This action will allow access to ECF funding for the County's initiative to place up to 10,000 unemployed residents into temporary subsidized employment.**

<u>In-Home Supportive Services (IHSS) – Reduction of Recipient Services</u>. The May Revision contained three proposals which would have significantly reduced IHSS services. If enacted, the proposals would have resulted in the loss of benefits for

approximately 92 percent of all IHSS recipients in Los Angeles County resulting in caseload reductions from an estimated 191,825 cases to 15,346 cases and a net County cost savings of approximately $200 million in FY 2009-10. **The Conference Committee rejected the May Revision proposals, but adopted the following IHSS services reductions:**

1. Eliminate IHSS domestic and related services for recipients who require minimal assistance, with no reduction for consumers receiving paramedical services, protective supervision, and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this would result in an estimated annual net County cost savings of $8.3 million.**

2. Eliminate all IHSS services for recipients who are the least functionally impaired, except for those with paramedical services or protective supervision and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this would result in an estimated annual net County cost savings of $2.5 million.**

<u>IHSS Provider Wages</u>. The May Revision proposed to reduce State participation in IHSS provider wages to the State minimum wage of $8.00 per hour, and retain State participation in the health benefits at $0.60 per hour. If IHSS provider wages were reduced to the State minimum wage rate, the County would realize an estimated savings of $26.1 million in FY 2009-10 and an estimated annual savings of $34.8 million. **The Conference Committee rejected the May Revision Proposal. This action results in no impact to the County.**

<u>Cash Assistance Program for Immigrants (CAPI) and California Food Assistance Program (CFAP)</u>. The May Revision proposed to eliminate the CAPI and CFAP Programs which would have resulted in an estimated net County cost of $8.3 million if all of the 5,200 CAPI recipients in Los Angeles County applied for and were determined eligible for General Relief. **The Conference Committee rejected the May Revision proposals. This action results in no impact to the County.**

<u>County Sales Tax Realignment Revenues</u>. The May Revision proposed to redirect County Sales Tax Realignment revenues from projected savings resulting from reductions to IHSS and provider wages and the elimination of the CalWORKs Program to fund proposed increases in the counties' share of cost for the State Department of Social Services children's programs to achieve $500 million in State General Fund savings. If enacted, this proposal would have resulted in an estimated County loss of $234.7 million in Sales Tax Realignment funds. **The Conference Committee rejected the May Revision Proposal, but adopted placeholder trailer bill language for a new proposal to realign $300 million in CalWORKs assistance payments to the counties. Based on the information available, the new proposal would not affect the existing Realignment Program.**

The new proposal would increase the County share for CalWORKs assistance payments from 2.5 percent to a new proportional share. At this time, the additional County share of cost is unknown. Currently, CalWORKs grants total approximately $3.3 billion Statewide, which includes a 2.5 percent share of cost by counties. In Los Angeles County, CalWORKs grants total approximately $1 billion with a County share of $25 million. Under the Conference Committee action, the proposed realignment revenue will come from redirecting a portion of the Vehicle License Fee from the Department of Motor Vehicles to counties. According to DPSS, the provision is intended to be revenue and cost neutral to counties. The Department estimates that additional revenue to the County from this realignment proposal would be $91 million with a corresponding increase in the County's share of CalWORKs grant costs.

Elimination of Community-Based Services Programs. The May Revision proposed to eliminate funding for the Community-Based Services Program which provides funding for three types of services: 1) Alzheimer's Day Care Resource Centers, 2) Linkages Program, and 3) Respite Purchase of Services for a Statewide savings of $24.2 million in FY 2009-10 and $35.3 million in FY 2010-11. This action would have resulted in an estimated County loss of $1.1 million. **The Conference Committee adopted the Governor's Proposal to eliminate funding for the Respite Purchase of Services Program, but adopted reductions of $1.2 million to Alzheimer's Day Care Resource Centers and $2.5 million to the Linkages Program.** This office is working with Community and Senior Services to determine the impact of these actions to the County.

Child Care

Child Care Recruitment/Retention Incentive Program. The Conference Committee adopted County-sponsored budget trailer bill language to eliminate the June 30, 2009 sunset date and to permanently expand the County's Child Care Recruitment/Retention Incentive Program, which provides educational stipends for child care providers in licensed family child care and child care centers that do not hold contracts with the California Department of Education.

Justice and Public Safety

Elimination of Funding for Proposition 36 and the Substance Abuse Offender Treatment Program. The May Revision proposed to eliminate the $90 million in funding for Proposition 36 and $18 million for the Substance Abuse Offender Treatment Program (OTP). DPH estimated that this would result in a County loss of $27 million. The Probation Department's share of this loss would be $2.8 million. Approximately 8,000 probationers are supervised on the Proposition 36 Program annually. **The Conference Committee adopted the May Revision Proposal to eliminate funding for Proposition 36 for State General Fund savings of $90 million, but rejected the elimination of $18 million from OTP. DPH indicates that the loss of Proposition 36 funds will result in the elimination of services to 10,526 clients and may require the termination of contracts with as many as 11 providers. DPH estimates the**

loss to the County would be $22.1 million. At this time, it is unclear if the County would be eligible for OTP funds.

Trial Court Funding. The Conference Committee approved a $393 million State General Fund reduction to trial courts in FY 2009-10. This action would be offset by increased court revenue from a $10 increase to the court security fees, a $5 increase in court reporter fees and a $10 increase in post judgment fees. These fees would be enacted for a two-year period. In addition, the Legislature would direct the courts to use existing reserves and fund balances at the State level. The local courts would be responsible for absorbing $102 million of the reduction. Implementing trailer bill language is not yet available, and consequently the allocation of the $102 million reduction among counties is not known at this time. This office is will be working with affected departments to determine the impact of this action to the County.

Change in Sentencing Options for Lower Level Offenders. The Conference Committee approved a change in sentencing options for crimes that can currently be charged as a felony or misdemeanor (wobblers). The action would limit the sentencing related to these crimes to a misdemeanor. As a result, persons convicted of these crimes would be eligible for confinement in local jails rather than in State prison. The Conference Committee estimates a savings to the State of $402.5 million in FY 2009-10. Implementing trailer bill language is not yet available. This office is working with the Sheriff's Department to determine the impact of this action to the County.

Local Government

Educational Revenue Augmentation Funds (ERAF) Shift from Redevelopment Agencies (RDAs). The May Revision proposed to statutorily fix the ERAF shift of $350 million from RDAs to reduce the State General Fund obligation to schools by an equal amount. As reported in the June 16, 2009 Sacramento Update, **the Conference Committee adopted placeholder trailer bill language to shift the funds. In addition, the Committee recommended the FY 2008-09 ERAF shift be extended for two more years, bringing the total shift to $1.05 billion over three years.** The FY 2008-09 potential impact of this action to the County General Fund is about $565,000, and the full impact is very difficult to estimate. However, County Counsel has expressed concern that any such impacts violate counties' Proposition 1A of 2004 protections. The extension of the ERAF shift from one to three years (and last fall's Legislative Analyst's Office proposal that an RDA shift be made permanent) heightened County Counsel's concern.

In addition, **according the Community Development Commission (CDC), the shift of property taxes from RDAs would result in an annual loss of $300,000 to the CDC, for a total loss of $900,000 in tax increment revenue over three years.**